

City of Cincinnati Pamphlet

Residential Lease Option Contract

**PLEASE READ THIS BROCHURE CAREFULLY!
YOU SHOULD READ THIS BROCHURE BEFORE YOU SIGN A
LEASE WITH OPTION TO BUY AGREEMENT!**

This Pamphlet explains your rights and responsibilities when you enter into a lease agreement in the City of Cincinnati that gives you the right to buy the house at sometime in the future.

When that occurs, a landlord in the City is required to give this Pamphlet to you. It explains the differences between a “Lease Option to Purchase,” and a regular rental agreement.

What is a Residential Lease Option Contract?

A Residential Lease Option Contract is an agreement between a landlord and tenant that gives you the right (also called the “Option”) to buy the house that you are renting at some time in the future. These contracts are also known as *lease options* or *rent to own*. Having the right to buy the house is NOT the same as owning the house. In order to actually get title to the house, you will be required to find a bank that is willing to give you a loan for the amount of the purchase price, so that you can pay the landlord and actually buy the house at the time specified in the agreement.

How is a Residential Lease Option Contract Different from an Ordinary Lease?

In many ways, they are the same. A landlord who gives you a Residential Lease Option Contract must still comply with Chapter 5321 of the Ohio Revised Code. Chapter 5321 addresses landlords and tenants. Your landlord must also comply with the Cincinnati Municipal Code.

This means that, as a tenant, you are responsible for the rent, and all other obligations that any tenant would have under Ohio law and according your lease. **The landlord has all the same rights and responsibilities as landlord normally has under Ohio law, including the responsibility to make major repairs on the property.**

The big difference is that a Lease Option Contract has a second agreement added to the regular lease—the Option to Buy. This agreement is what gives you the right to buy the house. To get the Option to Buy, you will usually have to pay extra money (called an Option fee) for the right to buy the house.

In the City of Cincinnati, the most you are allowed to pay for the Option Fee is 1 ½ times the monthly rent, the first year of your contract. During the second year of your

contract, your landlord may charge you a fee of 1 ½ times the monthly rent. However, the maximum amount your landlord can charge you for the Option Fee shall not exceed 4 times the monthly rent, during the term of your Residential Lease Option Contract.

Unlike a security deposit, the option fee is usually NOT refundable, and you may lose it if you do not buy the house or are evicted.

Before you sign your Residential Lease/Option Agreement, you should check the paperwork to see how much of this Option Fee will be taken off the price of the house if you DO buy the house in the future.

Does the Option Contract Protect me Against Eviction?

No! Like all tenants, you can be evicted for breaking the lease or not paying the rent. If you are evicted, you will probably lose both your right to buy the house and your Option Fee.

Do I have to sign a Lease Option if I only want to rent?

No! You have the right to ask the landlord if you can just rent the house. Of course, the landlord also has the right to refuse to rent to you if you do not want to sign the Lease Option Contract.

What are my landlord's obligations under a Residential Lease Option Contract?

Your landlord's obligations under a Residential Lease Option Contract are the same obligations a landlord has under a regular rental agreement. **A complete list of your landlord's obligations is contained in Chapter 5321 of the Ohio Revised Code.** Some of your landlord's obligations include the following:

- (1) Comply with the requirements of all applicable building, housing, health, and safety codes that materially affect health and safety;
- (2) Make all repairs and do whatever is reasonably necessary to put and keep the premises in a fit and habitable condition;
- (3) Keep all common areas of the premises in a safe and sanitary condition; and
- (4) Maintain in good and safe working order and condition all electrical, plumbing, sanitary, heating, ventilating, and air conditioning fixtures and appliances, and elevators, supplied or required to be supplied by him.

What are my obligations as a tenant, under a Residential Lease Option Contract?

Your obligations under a Residential Lease Option Contract are the same obligations you would have as a tenant, under a regular rental agreement. **A complete list of your obligations is**

contained in Chapter 5321 of the Ohio Revised Code. Some of your obligations as a tenant include the following:

- (1) Keep that part of the premises that you occupy and use safe and sanitary;
- (2) Dispose of all rubbish, garbage, and other waste in a clean, safe, and sanitary manner;
- (3) Keep all plumbing fixtures in your dwelling unit or used by you as clean as their condition permits; and
- (4) Use and operate all electrical and plumbing fixtures properly.

How Can I Find Out if the House is Worth the Purchase Price in the Residential Lease Option Contract?

- ! First, read the residential property disclosure form that the landlord gives you carefully.
- ! Second, have the house inspected by a professional home inspector or someone you trust.
- ! Third, make sure that you know what other, similar houses in the area are selling for. You can find this out by calling a real estate agent, getting an appraisal, or going to <http://www.hamiltoncountyauditor.org/> and looking for other houses that have sold in the same area.

What Things Should I Look for in My Residential Lease Option Contract?

The Municipal Code of the City of Cincinnati contains a detailed list of items that must be included in your Residential Lease Option Contract. Section 873-5 of the Municipal Code specifically lists the minimum requirements for Residential Lease Option Contracts. The requirements include specific information that you should have knowledge of before you enter into a Residential Lease Option Contract. These requirements include the following:

- (1) Your full name and current mailing addresses, including the full name and mailing address of your landlord;
- (2) The date when the contract is signed;
- (3) A legal description of the property you're renting;
- (4) The amount of your monthly rent;
- (5) An statement that explains which, if any, expenses of closing and sale will be paid by your landlord and which, if any, you are required to pay;
- (6) The purchase price of the property (and an explanation of any adjustments that may be made to the purchase price in dollar amounts and under what circumstances those adjustments will be made);
- (7) The amount, **if any**, of your monthly rent that will be applied toward the purchase price (**your landlord is not required to apply your monthly rent toward the purchase price**);
- (8) The period of time during which you may exercise your right to buy the property;

- (9) A statement that you have received, reviewed, and signed, prior to the execution of the option agreement, a completed copy of the State of Ohio Property disclosure form for residential real property transfers.

You should review Section 873 of the Municipal Code before you enter into a Residential Lease Option Contract. Section 873 of the Municipal Code contains several requirements for Residential Lease Option Contracts. The Municipal Code of the City of Cincinnati can be accessed by going to <http://www.cincinnati-oh.gov> and clicking on Do Business and clicking on Cincinnati Municipal Code under Government Information.

How can I find out who owns the property and get detailed information about the property?

Your landlord must state the following information in your Residential Lease Option Contract:

- (1) Information about any encumbrances that are known or can be reasonably discovered against the property;
- (2) A statement that he or she will deliver a warranty deed on completion of the contract, or the best deed that is available if your landlord is unable to deliver a general warranty deed;
- (3) A statement that he or she will provide evidence of title to the property at closing (upon exercise of the option);
- (4) A description of your landlord's ownership interest in the property and specify where documentation that shows the ownership interest is located;
- (5) Information about any pending order of any public agency against the property; and
- (6) A statement that he or she will remove any and all liens and mortgages against the property at the time of the closing. If you desire to assume any liens and mortgages, your contract must specifically state those liens and mortgages.

How do I know how much equity I have in the house?

You can demand a statement from your landlord up to 2 times a year that will provide you with this information. Within 10 days of your demand for the statement, your landlord must provide you with a statement that clearly states the following:

- (1) Your purchase price as of the date of the statement. In other words, the amount it would cost you to purchase the property as of the date of the statement;
- (2) Any calculations used to reach that price, showing all credits toward the purchase price and all additions to it.

The information shall either be delivered to you in person, with you signing a copy of the statement as evidence of receipt, or delivered to you by registered mail to the property address, with the return receipt serving as evidence of receipt.

Are there any documents I should receive before I enter into a Residential Lease Option Contract?

Yes, your landlord is required to give you a residential property disclosure form, and you should also receive a copy of this brochure. **The residential property disclosure form is a State of Ohio form, which is a statement by the owner of the property of any known defects regarding the physical condition of the property you are considering leasing.** For example, the residential property disclosure form will include information about the water supply to the property, the sewer system for the property, and information regarding the property's roof, foundation, walls and floors.

However, the best source of information about the property is through a home inspection. You may want to hire a professional home inspector to inspect the property. This inspection can provide you with information about any physical problems with the property.

You must receive a copy of the residential property disclosure form before you enter into a Residential Lease Option Contract and you must receive a copy of the residential property disclosure form, signed by you and your landlord, before you sign your Residential Lease Option Contract.

COMPARISON OF TENANT'S RIGHTS AND OBLIGATIONS	Contract to Buy	Rental Agreement	Lease w/Option to Purchase
Responsible for making major repairs (roof, heat, etc.)	yes	no	no
Responsible for minor repairs and maintenance (cut grass, change light bulbs and furnace filters)	yes	maybe	maybe
Equity toward purchase	yes	no	maybe
Build value in property	yes	no	yes
Records prove it is in your name	yes	no	maybe
Can you be cited to Court for violations of City Code	yes	no	no
Up-front fees can be lost if default	yes	no	yes

This Brochure was put together by the City of Cincinnati, City of Cincinnati Legal Aid Society of Greater Cincinnati, the Cincinnati Real Estate Investors Association and the Greater Cincinnati & Northern Kentucky Apartment Association.